GEODYNE

ANNUAL

REPORT

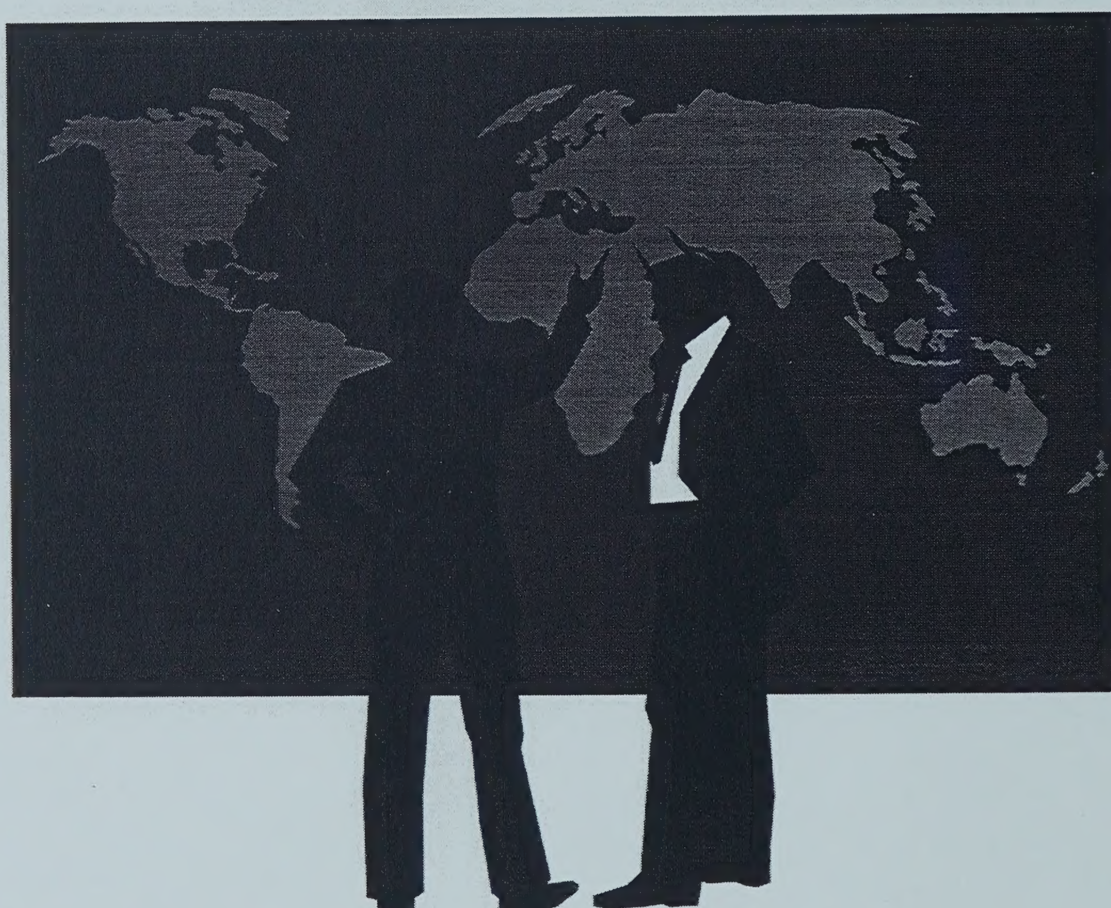
1995

Geodyne Technologies Inc.

"Natural resource based...

opportunity driven...

global perspective."



NOTICE OF ANNUAL MEETING

The Annual General and Special Meeting of shareholders will be held on May 7, 1996 at 10:00 am at the offices of Macleod Dixon, in the Macleod Boardroom, 37th Floor, Canterra Tower, 400 - 3rd Avenue S.W., Calgary, Alberta. Shareholders unable to attend are encouraged to complete and return the accompanying form of proxy.

To the Shareholders:

Our successes during 1995 included drilling two oil wells (1.2 net) at Unwin in western Saskatchewan and the acquisition of a private company which owned and operated three Alberta oil properties. These asset additions increased Geodyne's production from an average rate of 20 barrels of oil per day (BOPD) to a productive capability of 100 BOPD.

Based upon the apparent availability of producing oil and gas assets at the beginning of 1995, we had anticipated that additional acquisitions would have been consummated during the year. Despite conducting detailed reviews of numerous properties offered for sale, and the submission of competitive bids on many of those offerings, our bids were not high enough to win the auctions. In the prevailing sellers market the successful bidders often were willing to pay a higher price to acquire assets that enhanced the value of production already owned in the area. According to information obtained from some sellers, their experience suggests that the sale of assets through the auction process often resulted in a purchase price 30% above the perceived economic value of the assets being sold.

In last year's annual report to the Shareholders, it was stated that an objective of the company was to significantly increase corporate cash flow through production acquisitions. While acquisition opportunities will continue to be pursued, more time will be devoted to other endeavours. Given our experience in 1995, the primary emphasis of our domestic oil and gas **growth strategy is being reoriented** *from the direct acquisition of assets to activities more closely related to exploration for and the development of new reserves and production.* Utilizing sound professional advice we will generate oil and gas opportunities including grass roots exploratory projects and reserve enhancement programs. These opportunities will be funded via farmouts to industry partners, from cash flow, and through the sale of equity, including flow-through shares, as the markets allow. Supplemental funding via our credit line will be employed, as appropriate, once the significant project risk has been mitigated.

Two projects, which conform to our new strategy, have been initiated. We have identified a conceptual natural gas play in south-eastern Alberta which, if proven feasible, will afford Geodyne the opportunity to make significant additions to its asset base. Our target is long-term reserves which produce at an average rate of 1 million cubic feet per day of dry sweet natural gas. As well, we are examining an oil exploration opportunity, also in south-eastern Alberta, which if successful, will add new oil reserves to Geodyne's account. As both projects have only recently commenced, for competitive reasons, it is inappropriate to provide additional details at this time. Progress reports will be forthcoming as warranted.

Broadened Focus

In addition to recasting domestic oil and gas strategy, we have broadened our corporate scope. Geodyne's future activities will be ***natural resource based***. Initially, in addition to concentrating on hydrocarbons, minerals have beeen added as a focal point for asset growth. We will be ***opportunity driven***: project initiation, project participation and project exploitation each represent stages, in the life of a project, at which profitability decisions are possible. And we will aggressively seek out natural resource based opportunities using a ***global perspective***. We will endeavour to enhance our Canadian operations, but we also believe that international minerals and energy opportunities should be pursued. With the input of the board of directors, friends of the company and professional advisors *Geodyne is seeking out participation in natural resource projects around the world.*

Subsequent Event

Barry D. Cochrane, who was instrumental in restructuring and redirecting the activities of this former chemical research and development company, has regrettably decided to retire from active corporate involvement. Therefore, effective March 19, 1996 Mr. Cochrane resigned as Chairman and Chief Executive Officer of Geodyne. As well, Wayne M. Newhouse submitted his resignation, as a director of the company at that time. Mr. Newhouse has incorporated a private oil and gas company to which he plans to devote his time and energy. On behalf of the company a thank you is extended to each of these gentlemen.

On behalf of the Board of Directors

Jon G. Constable
President

March 20, 1996

Operations

As the company has now completed only the first fiscal year during which it has conducted oil and gas operations, comparitive operational data is not available. During the fiscal year Geodyne produced 17,282 barrels of oil. The company does not currently own any natural gas reserves.

Crude Oil Production

Property	Barrels
Lonerock, Sask. (1)	4,239
Unwin, Sask. (1)	8,686
Rainbow, Alta. (2)	1,069
Matziwin, Alta. (2)	1,522
Princess, Alta. (2)	1,766
Total	**17,282**

(1) Acquired December 1, 1994
(2) Acquired September 1, 1995

Based upon experience to date, the five producing properties are currently capable of sustaining production at a rate of approximately 100 BOPD.

Reserves Reconciliation (1)

Total Proven:

	Crude Oil (Mstb)	NGLs (Mstb)	Natural Gas (Mmcf)
October 31, 1994	**0.0**	**0.0**	**0.0**
Production	(17.3)	0.0	0.0
Additions	72.2	0.0	0.0
Acquisitions (net)	232.3	0.0	0.0
Technical Revisions	0.0	0.0	0.0
December 31, 1995	**287.2**	**0.0**	**0.0**

(1) Based upon independent and internal estimates.

Two acquisitions and the drilling of two oilwells accounted for the crude oil reserves added to Geodyne's account during 1995. The acquisition and drilling costs totalled $936,000 or $3.07 per barrel.

Financial

Revenue for the fourteen months ended December 31, 1995 totalled $296,983. Since producing reserves of oil and gas were added during the fiscal period, reported revenue understates the annual revenue generating potential of the company. Currently owned reserves are expected to generate revenue in excess of $500,000 during 1996. Net income and cash flow realized during the reporting period were each $0.00 per share.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in the annual report are the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with the accounting policies outlined in the notes to the consolidated financial statements. Where necessary, Management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of Management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

KPMG Peat Marwick Thorne, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent annual general meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee has reviewed these statements with Management and KPMG Peat Marwick Thorne, and has reported to the Board of Directors. The Board has approved the consolidated financial statements of the Company herein.

J S Constable

President
March 15, 1996

AUDITORS' REPORT

To the Shareholders of
Geodyne Technologies Inc.

We have audited the consolidated balance sheets of Geodyne Technologies Inc. as at December 31, 1995 and October 31, 1994 and the consolidated statements of operations and deficit and changes in financial position for the fourteen months ended December 31, 1995 and the year ended October 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and October 31, 1994 and the results of its operations and the changes in its financial position for the fourteen months ended December 31, 1995 and the year ended October 31, 1994 in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants
Calgary, Canada
March 15, 1996

GEODYNE TECHNOLOGIES INC.

Consolidated Balance Sheet

December 31, 1995 and October 31, 1994

	1995	1994
Assets		
Current assets:		
Cash	$ 59,150	$ 552
Accounts receivable	29,444	364
	88,594	916
Capital assets (note 3)	1,009,013	–
	$ 1,097,607	$ 916
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 39,950	$ 401,440
Current portion of long-term debt (note 4)	96,000	–
Note payable	–	160,000
	135,950	561,440
Long-term debt (note 4)	368,000	1,500,000
Provision for future abandonment costs (note 5)	6,250	–
Shareholders' equity (deficiency):		
Capital stock (note 6)	668,246	3,941,216
Deficit (note 6)	(80,839)	(6,001,740)
	587,407	(2,060,524)
Contingencies (note 8)		
Capital restructuring and reorganization of the Company (note 9)		
	$ 1,097,607	$ 916

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J S Constable Director

Director

GEODYNE TECHNOLOGIES INC.

Consolidated Statement of Operations and Deficit

Fourteen month period ended December 31, 1995 and twelve months ended October 31, 1994

	1995	1994
Revenue:		
Petroleum and natural gas sales	$ 296,983	$ –
Less: royalties	(24,244)	–
A.R.T.C.	3,040	–
	275,779	–
Interest income	2,896	–
	278,675	–
Expenses:		
Operating	191,368	–
General and administrative	89,645	5,000
Interest on long-term debt	16,368	–
Depletion and depreciation	67,647	–
	365,028	5,000
Net loss from continuing operations	(86,353)	(5,000)
Net earnings from discontinued operations	5,514	215,440
Net earnings (loss) for the period	(80,839)	210,440
Deficit, beginning of period	(6,001,740)	(6,212,180)
Reduction of deficit (note 5)	6,001,740	–
Deficit, end of period	$ (80,839)	$(6,001,740)
Loss per share from continuing operations	$ 0.00	$ 0.00
Net earnings (loss) per share	$ 0.00	$ 0.02
Net earnings per share from discontinued operations	$ 0.00	$ 0.02

See accompanying notes to consolidated financial statements.

GEODYNE TECHNOLOGIES INC.

Consolidated Statement of Changes in Financial Position

Fourteen month period ended December 31, 1995 and twelve months ended October 31, 1994

	1995	1994
Cash provided by (used in):		
Operations:		
Continuing operations:		
Loss from continuing operations	$ (86,353)	$ (5,000)
Depletion and depreciation	67,647	–
Change in non-cash working capital	(28,816)	145,059
	(47,522)	140,059
Discontinued operations	5,514	(195,628)
Financing:		
Issuance of shares for debentures and accrued interest and notes payable (note 9)	2,021,754	–
Settlement of debentures and accrued interest (note 9)	(1,861,754)	–
Issue of shares for cash	512,016	–
Increase in long-term debt	464,000	–
Issuance of shares on acquisition	165,000	–
Settlement of notes payable (note 9)	(160,000)	–
Issue of shares for acquisition of capital assets	30,000	–
Discontinued operations	–	1,875
	1,171,016	1,875
Investments:		
Additions to capital assets	(1,070,410)	–
Discontinued operations	–	(5,249)
	(1,070,410)	(5,249)
Increase (decrease) in cash	58,598	(58,943)
Cash, beginning of period	552	59,495
Cash, end of period	$ 59,150	$ 552

See accompanying notes to consolidated financial statements.

General:

Geodyne Technologies Inc. (the "Company") is an independent petroleum and natural gas exploration and development company with reserves in Alberta and Saskatchewan. The Company was incorporated in Ontario on October 20, 1983 and was continued in the Province of Alberta on August 21, 1992. Oil and gas operations commenced on December 1, 1994 (see note 9).

Effective October 31, 1995, the Company changed its fiscal year end to December 31. These consolidated financial statements reflect the Company's activities for the fourteen month period ended December 31, 1995.

1. Significant accounting policies:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Multi Biotech Inc. and Ligands Inc.

(b) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for oil and natural gas activities whereby all costs, net of incentives, related to the acquisition of, the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisition, geological and geophysical expenditures, drilling expenditures, related plant and production equipment costs and overhead costs that relate to exploration and development activities. All other general and administrative and interest costs are expensed. Proceeds on disposal of properties sold are deducted from capitalized costs without recognition of profit or loss except for dispositions which would alter the depletion and depreciation rate by 20% or more.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content.

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

1. **Significant accounting policies (continued):**

(b) Petroleum and natural gas operations: (continued)

In applying the full cost method, the total capitalized costs less accumulated depletion, depreciation, deferred income taxes and provision for future site restoration costs are limited to an amount equal to the estimated future net revenue from proven reserves plus the cost (net of impairments) of unproven properties less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

(c) Future site restoration and abandonment costs:

The estimated costs for future site restoration and abandonments, are provided for on a unit-of-production basis. The estimates are based upon regulations and industry standards in effect at the fiscal year-end. The annual charge is included in depletion and depreciation expense and actual restoration costs are charged to the site restoration provision as incurred.

(d) Joint interest operations:

Substantially all the Company's exploration and production activities are conducted jointly with other entities and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(e) Discontinued operations:

Prior to February 25, 1994 the Company was engaged in research and development activities which had not reached a commercial stage of operations. All expenditures incurred were capitalized net of incidental revenues and government incentives. These activities were abandoned on February 25, 1994 and such activities have been separately shown in the consolidated financial statements as Discontinued Operations (see note 9).

2. **Acquisition:**

Pursuant to an agreement dated September 1, 1995, the Company acquired all the shares of Trenstar Activities Inc. ("Trenstar"), a privately held oil and gas company, for total consideration of $655,000, including acquisition costs of $15,000. This transaction has been accounted for by the purchase method with the results of operations included in these financial statements from the date of acquisition. The cost of the acquisition has been allocated entirely to capital assets.

The total consideration was comprised of $490,000 in cash and the issue of 2,500,000 of common shares with an ascribed value of $165,000 (note 6).

3. Capital assets:

	1995	1994
Petroleum and natural gas properties	$ 950,248	$ –
Production equipment	118,932	–
Office furniture and equipment	1,230	–
	1,070,410	–
Less: accumulated depletion and depreciation	(61,397)	–
	$ 1,009,013	$ –

4. Long-term debt:

	1995	1994
Non-revolving reducing demand loan	$ 464,000	$ –
Series A 7% convertible debenture	–	675,000
Series B 7% convertible debenture	–	325,000
Series C 7% convertible debenture	–	500,000
	464,000	1,500,000
Less: current portion	96,000	–
	$ 368,000	$ 1,500,000

The non-revolving reducing demand loan bears interest at prime plus 1.5%, is repayable on demand, with principal repayable in monthly payments of $8,000, and maturing on October 31, 2000. Security for this indebtedness is provided by a general assignment of accounts receivable, a first fixed and floating charge debenture over all assets, and a fixed charge on the main producing oil and gas properties.

At December 31, 1995, the Company had a reducing revolving demand loan available. Credit available under this facility was $165,000

5. Future abandonment costs:

As at December 31, 1995, the unamortized future abandonment costs were estimated at $127,500 (1994 - nil). These costs will be amortized over the life of the remaining proven reserves.

6. Capital stock:

(a) Authorized:

Unlimited number of special shares without par value, issuable in series

Unlimited number of common shares without par value

(b) Issued capital:

No special shares have been issued. Changes in common shares issued are as follows:

	Number of Shares	Amount
Balance, November 1, 1994 and 1993	12,772,945	$ 3,941,216
Reduction of deficit at October 31, 1994 (note 6(c))	–	(6,001,740)
Conversion of debentures and note payable (note 9)	9,946,687	2,021,754
Issued for cash	2,555,000	255,500
Issued as consideration for petroleum and natural gas interests	300,000	30,000
Flow-through shares issued	2,805,000	280,500
Issued as partial consideration on acquisition of Trenstar (note 2)	2,500,000	165,000
Share issue costs	–	(23,984)
Balance, December 31, 1995	30,879,632	$ 668,246

(c) Reduction of stated capital:

On April 28, 1995, the Company's shareholders approved the reduction from capital stock of the deficit of the Company of $6,001,740.

(d) Stock options:

As at December 31, 1995, the directors and officers held options to purchase 2,300,000 (October 31, 1994 - nil) common shares of the Company at $0.10 per share, expiring in April, 2000.

As at December 31, 1995, two shareholders of the Company held 250,000 options to purchase common shares of the Company at $0.10 per share, expiring in April, 2000. These options were granted for services rendered to the Company.

7. Income taxes:

At December 31, 1995 the Company has available the following amounts which may be deducted in determining taxable income:

	Rate	December 31, 1995	October 31, 1994
Undepreciated capital cost	8 - 25%	$ 233,882	$ 67,200
Cumulative eligible capital	7%	554,275	553,520
Research and development expenditures	100%	2,031,025	2,031,025
Share issue costs and commissions	20%	50,314	26,331
Canadian oil and gas property expense	10%	77,217	–

In addition, the Company has accumulated non-refundable scientific research and development investment tax credits in the amount of $198,231 which are deductible from future income taxes payable. These investment tax credits expire in 2004.

8. Contingencies:

Pursuant to a settlement agreement effective September 28, 1994,with respect to an interest free loan from the Federal Government under the Western Economic Diversification program in the amount of $205,395, the Company paid $8,125 and is obligated to repay $197,240 over a six year period as and when certain tax credits available to the Company are utilized over that period. This obligation has not been reflected in the accounts of the Company at December 31, 1995. This reduction of debt has been credited to earnings and any future payments made by the Company in this regard will be charged to earnings as an income tax expense.

9. Capital restructuring and reorganization of the company:

Prior to February 25, 1994 the Company was engaged in research and development activities. Following the receipt, on that date, of disappointing results from tests conducted pursuant to the Company's research program at the University of Alberta and the immediate withdrawal of funding, the Company voluntarily suspended trading in its shares on the Alberta Stock Exchange. Subsequent thereto, the Board of Directors was reconstituted and the Company was reorganized and recapitalized preparatory to its present involvement in the oil and gas industry.

CORPORATE INFORMATION

Board of Directors and Officers:	Barry D. Cochrane * Chairman & Chief Executive Officer Calgary, Alberta
	Jon G. Constable President Calgary, Alberta
	Charles W.Berard Secretary Calgary, Alberta
	Wayne M. Newhouse * Calgary, Alberta
Auditors:	KPMG Peat Marwick Thorne Calgary, Alberta
Bankers:	National Bank of Canada Calgary, Alberta
Solicitors:	Macleod Dixon Calgary, Alberta
Registrar and Transfer Agent:	The R-M Trust Company Calgary, Alberta
Stock Exchange Listing:	The Alberta Stock Exchange Trading Symbol **"GTI"**
Business Offices:	1005, 333 - 7th Avenue S.W. Calgary, Alberta T2P 2Z1 Telephone: (403) 269-2342 Facsimile: (403) 266-7047

* Resigned March 19, 1996.
On March 22, 1996, Arnold L. Ames and Richard A. Gusella, both of Calgary, Alberta, accepted appointments as directors.

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